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## PSC DECIDES PACIFICORP'S NET GAIN OF \$4 MILLION FROM SALE TO FLATHEAD ELECTRIC WILL BE SPENT ON SYSTEM IMPROVEMENTS

The entire \$4 million in net gain that PacifiCorp realized from the sale of its Montana distribution facilities to Flathead Electric Cooperative will be dedicated to improvements to PacifiCorp's former system over the next two years as the result of an order issued June 8 by the state Public Service Commission.

"Flathead Electric and Energy Northwest demonstrated that there are serious reliability concerns in the service territory acquired from PacifiCorp," according to PSC Commissioner Bob Rowe. "PacifiCorp's former customers will receive long-term benefits through improved system reliability." Rowe said improvements paid for from the \$4 million dollars will not be billed to customers, as would otherwise be the case.

The PSC had originally decided last November that \$1.25 million of the net gain would go toward system improvements in urban areas formerly served by PacifiCorp and \$2.75 million would be paid directly to PacifiCorp's former residential and small commercial customers in Montana, which was the recommendation of the Montana Consumer Counsel. Plum Creek Timber Co. and Flathead Electric's regulated affiliate, Energy Northwest, Inc., asked the PSC to reconsider that decision. Flathead Electric and Energy Northwest, along with the state Department of Environmental Quality, supported the reconsideration requests.

The PSC granted reconsideration of the original allocation decision in mid-December and began a proceeding solely to determine the allocation of the \$4 million net gain.

In April, Energy Northwest, Flathead Electric, Plum Creek and the Department of Environmental Quality jointly recommended to the PSC that the entire \$4 million be spent on the prompt completion of necessary system improvements to reduce the potential of system failures that had been identified by Energy Northwest during the proceeding. In its testimony, the Montana Consumer Counsel said it accepted the utility's judgment that system improvements are required and did not oppose the other parties' joint recommendation.

Most of the proposed improvements, set out in a plan presented by Energy Northwest and Flathead Electric, had been part of PacificCorp's long-term plan. However, now the improvements will be made more quickly, and will not be paid for by customers. Energy Northwest and Flathead will file periodic reports with the PSC as improvements are made.

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